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Message Text

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PAGE 01 BANGKO 34460 230936Z
ACTION EA-09

INFO OCT-01 NEA-10 ISO-00 EB-07 L-03 FRB-03 OMB-01 ITC-01
SP-02 USIA-06 AGRE-00 AID-05 CIAE-00 COME-00 INR-07
IO-13 LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00
CIEP-01 CEA-01 /081 W
---------- 103880 /12
R 230829Z DEC 76
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 7519
INFO AMEMBASSY COLOMBO
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY SINGAPORE

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E.O. 11652: N/A
TAGS: UNCTAD, EPAP, IRSG
SUBJECT: UNCTAD MEETING ON RUBBER

REFS: A) STATE 301160 B) BANGKOK 31998 C) BANGKOK 33130

1. REFTEL A POINTS HAVE BEEN DISCUSSED BY EMBOFF WITH MISS LUXANACHANTORN NAVANI OF ECONOMIC DEPARTMENT OF MFS (RESPONSIBLE FOR COVERING RUBBER MATTERS); DR. SERMLARD WASUWAT, DIRECTOR OF RUBBER DIVISION OF MINISTRY OF AGRICULTURE (ALSO MEMBER OF RTG NATURAL RUBBER CONSULTATIVE COMMITTEE WHICH ALSO INCLUDES PRIVATE SECTOR); AND DR. PHIT PANYALAKSHAMA, DIRECTOR OF THE THAI RUBBER REPLANTING PROGRAM. THE FOLLOWING COMMENTS DRAW UPON ALL THREE CONVERSATIONS.

2 THE THAIS STRESS THAT, EXCEPT FOR THOSE PARTS DEALING WITH BASIC MECHANICS (SIZE OF BUFFER STOCK, LENGTH OF INITIAL COM-MITMENT, SIZE OF THAI CONTRIBUTION), THEY CONSIDER THE RUBBER PRICE STABILIZATION AGREEMENT PRIMARILY AN "OUTLINE
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PAGE 02 BANGKO 34460 230936Z

FOR ACTION" AND LARGELY SUBJECT TO NEGOTIATION WITH CONSUMERS AS THE SIGNATORIES SEE FIT. THE THAIS SEE THE MAJOR SIGNIFICANCE OF THE AGREEMENT IN THE MERE FACT THAT, AFTER LONG NEGOTIATIONS, IT HAS FINALLY BEEN INITIALED AND THEY ACKNOWLEDGE THAT A GREAT DEAL OF WORK STILL LIES AHEAD FOR THE RUBBER COUNCIL, ONCE IT IS SET UP IN KUALA

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

LUMPUR, IN SETTING UP THE DAY TO DAY OPERATIONS ENVISIONED
BY THE AGREEMENT.

3. WHILE THE THAIS ADMIT THAT THEY DO NOT YET HAVE A
CLEAR POSITION ON THE OPTIMUM DEGREE OF CONSUMER PARTICIPATION
COOPERATION, THEY CLEARLY FEEL THAT CONSUMERS
MUST PLAY AN ACTIVE ROLE IF THE AGREEMENT IS TO OPERATE
EFFECTIVELY. IN ADDITION TO EXPECTING SOME HELP IN FINANCING
THE BUFFER STOCK, THE THAIS WOULD ALSO LOOK TO CONSUMERS
FOR "EXPERTISE". THE THAIS CLAIM NOT BO BE CONCERNED
THAT ACCEPTANCE OF CONSUMER COUNTRY "EXPERTISE" MIGHT
LEAD TO CONSUMER DOMINATION. THEY POINT OUT, HOWEVER,
THAT THIS ENTIRE QUESTION IS ONE THAT WILL HAVE TO
EVENUTALLY BE RESOLVED BY THE RUBBER COUNCIL AND ITS
RESOLUTION WILL, AT LEAST FROM THE THAI STANDPOINT,
DEPEND LARGELY ON WHAT TRANSPIRES AT THE JAUNUARY UNCTAD
MEETING.

4. AS NOTED IN REFTELS B AND C (AND REITERATED IN MOST
RECENT DISCUSSIONS), THE THAI HAVE GONE TO SOME LENGTHS
TO POINT OUT TO US THAT THEY DO NOT SUBSCRIBE TO THE
REMARKS MADE BY MALAYSIAN IRSG REPRESENTATIVE FATAH, AT
THE 2 NOVEMBER IRSG EXECUTIVE COMMITTEE MEETING, WHICH
THE THAIS CONSIDERED MUCH TOO "BLUNT" AND "ANTI-CONSUMER".
THIS REACTION IS TYPICAL OF AN ATTITUDE WE BELIVE THE
THAIS HAVE CONSISTENTLY ATTEMPTED TO CONVEY DURING OUR
CONVERSATIONS WITH THEM ON RUBBER MATTERS OVER THE PAST
SEVERAL WEEKS, I.E., THAT EVEN THOUGHT THAILAND IS CLEARLY
IN THE PRODUCER RANKS, THEY ARE BASICALLY FLEXIBLE AND
OPEN TO ANY "REASONABLE" PROPOSALS, EITHER FROM OTHER ANRPC
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MEMBERS OR CONSUMERS. IT IS OUR IMPRESSION THAT, EXCEPT ON
A FEW BASIC QUESTIONS OF MECHANICS (PARA 2 ABOVE), THE
THAIS HAVE BEEN LARGELY REACTIVE THROUGHOUT THE RUBBER
NEGOTIATIONS, GOING ALONG WITH THE BEST SUGGESTIONS OF
OTHERS, RATHER THAN ATTEMPTING TO TAKE THE LEAD
THEMSELVES. IT APPEARS THAT THIS WILL PROBABLY CONTINUE TO BE
THEIR APPROACH ON THE QUESTION OF UNCTAD AND CONSUMER
ROLES.

5. AN EXCEPTION TO THE ABOVE HAS BEEN THE THAI INSISTENCE
FROM THE BEGINNING THAT THE RUBBER BUFFER STOCK FINANCED
BY ANRPC MEMBERS BY LIMITED TO 100,000 TONS. THE THAIS
ARE TENTATIVELY PLANNING TO MAKE THEIR CONTRIBUTION IN
CURRENCY AND ARE IN NO HURRY TO PART WITH MORE THAN
APPROXIMATELY U.S. $7 MILLION TO MAKE UP THEIR SHARE OF
THE INITIAL BUFFER STOCK. AT THE SAME TIME, THE THAIS
WOULD AGREE TO INCREASING THE STOCK IF THE FINANCING
COMES FROM OUTSIDE PARTIES; FOR EXAMPLE, UNCTAD, AND

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CREATES NO ADDITIONAL OBLIGATIONS FOR THAILAND.

6. THE THAI SRECOGNIZE THAT THELARGE NUMBER OF SMALL-
HOLDERS IN THAILAND WILL CREATE DIFFICULTIES IN
ENFORCING THE SUPPLY RATIONALIZATION SCHEME. THE GOVERN-
MENT'S RUBBER REPLANTING PROGRAM, WHICH IS ENJOYING
INCREASING SUCCESS, IS IN FACT DESIGNED TO ENCOURAGE
SMALL SHAREHOLDERS TO IMPROVE THEIR METHODS AND PRODUCTION
RATHER THAN CUT BACK ON THE ROLE THEY PLAY IN THAILAND'S
RUBBER INDUSTRY. THE THAIS BELIEVE THAT INDONESIA WILL
HAVE EVEN GREATER PROBLEMS IN THIS REGARD.

7. MISS LUXANACHARNTORN, DR. SERMLARD AND DR. PHIT ALL
SAID THAT THE ORIGINAL PRICE BAND OF M$1.45-1.65 WAS NOW
UNREALISTIC BECAUSE OF INCREASES IN NATURAL RUBBER PRICES.
ANY ADJUSTMENTS, HOWEVER, WILL HAVE TO BE WORKED OUT BY
THE RUBBER COUNCIL. THE THAIS CONSIDER IT VERY IMPORTANT
THAT NATURAL RUBBER PRICES NOT BE ALLOWED TO RISE TO
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UNREASONABLE LEVELS, EVEN IF SUPPORTED BY TEMPORARY DEMAND,
BECAUSE OF THE POTENTIAL CHALLENGE FROM SYNTHETIC
RUBBER. THE THAIS ARE VERY SENSITIVE TO THIS CHALLENGE
AND WOULD PREFER TO FOREGO A TEMPORARY WINDFALL THAT MIGHT
PUT THEM INTO COMPETITION WITH SYNTHETICS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RUBBER, PERSONAL OPINION, POLICIES, DIPLOMATIC DISCUSSIONS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BANGKO34460
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760470-1218
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761214/aaaaamff.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 301160, 77 BANGKOK 31998, 77 BANGKOK 33130
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAY 2004 by ifshinsr>; APPROVED <22 SEP 2004 by ElyME>
Review Markings:

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04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UNCTAD MEETING ON RUBBER
TAGS: EPAP, TH, UNCTAD, IRSG, (LUXANACHANTORN NAVANI), (SERMLARD WASUWAT), (PHIT PANYALAKSHAMA)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006